

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the Matter of )

800 Data Base Access Tariffs )

CC Docket No. 93-129

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**REBUTTAL TO COMMENTS OF  
THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY**

The Southern New England Telephone Company ("SNET"), pursuant to Section 1.773 of the rules of the Federal Communications Commission ("Commission") and the Commission's Order,<sup>1</sup> hereby files its Rebuttal to the comments and oppositions<sup>2</sup> filed by various parties against the local exchange carriers' ("LECs") 800 Data Base direct cases.<sup>3</sup>

In general, the commenting parties claim that the LECs have overstated exogenous costs, and that the proposed rates are therefore excessive and should be rejected. In this rebuttal SNET responds to the specific issues raised against its Direct Case. SNET responds in detail to demonstrate that:

- (1) Overheads Are Not Included In SNET's Rates;
- (2) SNET's Use of Method 2 Adheres to FCC Rules; and
- (3) SNET Correctly Developed 800 Data Base Costs.

<sup>1</sup> In the Matter of 800 Data Base Access Tariffs and the 800 Service Management System Tariff, DA 94-370, CC Docket No. 93-129, Order released April 15, 1994.

<sup>2</sup> Comments and Oppositions were filed by AT&T, SPRINT, MCI, Compuserve, Ad Hoc, National Data Corporation, First Financial Management, Allnet, and Aeronautical Radio.

<sup>3</sup> In the Matter of 800 Data Base Access Tariffs and the 800 Service Management System Tariff, The Southern New England Telephone Company Direct Case in Response To Issues Designated For Investigation, filed September 20, 1993 ("Direct Case").

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The parties' comments raise no questions that warrant rejection of SNET's 800 Data Base tariff. SNET believes that it has provided sufficient cost support for the rates in effect, and that its cost development and tariffed rates fully comply with the Commission's Second Report and Order.<sup>4</sup>

I. **Background**

SNET filed its 800 Data Base tariff, SNET Transmittal No. 556, on March 1, 1993, for effect May 1, 1993, to comply with the Commission's Second Report and Order. That Order adopted a rate structure and pricing rules for 800 Data Base access service.

Petitions were filed against the LECs' tariff filings on March 18, 1993, and on March 29, 1993, LECs, including SNET, replied to the petitions. SNET filed Transmittal No. 561 to comply with the Commission's April 28, 1993, Order ("Suspension Order") which suspended the LECs' tariff effective dates, placed the LECs' tariffs under investigation, and ordered adjustments to certain LECs' Price Cap Indices, including SNET's, to exclude overheads in calculating exogenous costs.

On July 19, 1993, the Bureau released its Order Designating Issues For Investigation In the Matter of 800 Data Base Access Tariffs, and on September 20, 1993, SNET filed its Direct Case in response to the Bureau's

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<sup>4</sup> In the Matter of Provision of Access for 800 Service, CC Docket No. 86-10, Second Report and Order, released January 29, 1993, ("Second Report and Order").

Investigation Order. Comments and oppositions to the LECs' Direct Cases were filed before April 22, 1994, after numerous Commission Orders extending the due dates for oppositions. In this Rebuttal SNET files its response to the issues raised in the April 22, 1994 comments.

## **II. Overheads Are Not Included In SNET's Rates.**

AT&T mistakenly faults SNET for continuing to include \$343,338 of overhead costs, thereby overstating its PCI.<sup>5</sup> In fact SNET had removed this amount from its PCI pursuant to the Commission's Suspension Order in SNET Transmittal No. 561.<sup>6</sup> In this tariff filing, SNET reduced its Traffic Sensitive PCI from 102.0839 to 101.8582. This change did not require SNET to reduce its 800 Data Base rates. However SNET appropriately reflected this downward adjustment to its PCI in its GSF tariff filing, Transmittal No. 567.<sup>7</sup>

While SNET has complied with the directives of the Suspension Order, SNET agrees with Bell Atlantic and United that the inclusion of overheads in its 800 Data Base service rates is appropriate. Given the "hybrid" nature of this

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<sup>5</sup> AT&T, footnote 21. National Data Corporation, page 13 also mistakenly cites SNET as including overhead costs. However it cites no SNET reference to substantiate its claim.

<sup>6</sup> SNET Transmittal No. 561 filed on April 29, 1993 under authority of the FCC's Special Permission Number 93-349.

<sup>7</sup> SNET Transmittal No. 567 filed on June 17, 1993 for effect July 2, 1993 revised SNET's 1993 Annual Access Tariff filing to account for the reallocation of General Support Facilities (GSF) ("GSF Tariff Filing"). In Section 2 of that filing, prior to making the GSF adjustment, SNET revised its existing PCI (t-1) value to reflect the overhead disallowance. SNET also included a separate tariff review plan (TRP) to document this change.

filing, it is appropriate to include overhead loadings in exogenous costs as well as rates.

### **III. SNET's Use of Method 2 Adheres to FCC Rules.**

AT&T and others argue that the use of Method 2<sup>8</sup> violates price cap principles as this method has the effect of spreading data base costs into other service categories...creating unintended and unwarranted additional pricing flexibility in those service categories.<sup>9</sup> AT&T suggests that the LECs that used Method 2 should be required to correct their restructure methodology to comply with the intent of the Commission's price cap rules and policies. AT&T suggests that the Commission should prescribe Method 3 as the appropriate method for implementing the 800 Data Base restructure and exogenous costs change.<sup>10</sup>

SNET believes that its use of Method 2 is appropriate. As already discussed in its Direct Case,<sup>11</sup> had the Commission's rules allowed for this unique calculation of upper and lower band limits (i.e., an adjustment removing the impact of a change in the PCI), SNET would not have objected to the use of Method 3. However, existing price cap rules do not allow for such a calculation.

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<sup>8</sup> Exogenous cost adjustments were made prior to restructuring the traffic-sensitive basket to establish the new service category for 800 Data Base services.

<sup>9</sup> AT&T, page 8.

<sup>10</sup> AT&T, page 10.

<sup>11</sup> SNET Direct Case, pages 6-7.

SNET, therefore, believes that Method 2 is in complete compliance with all price cap rules and regulations, and that SNET's rates are based on this methodology and are correctly calculated.

IV. SNET's 800 Data Base Costs Are Correct.

SNET has repeatedly explained and supported its 800 Data Base cost development. SNET identified only those costs that would not have been incurred for the use of any other service and are specific to 800 Data Base service. As discussed in its Direct Case, SNET included as exogenous those expenses that are (1) 800-specific SCP capital-related expenses; (2) the start-up expenses for 800 Data Base; and (3) on-going annual expenses.<sup>12</sup> Again, SNET discussed its cost development in Ex Parte filings that explained that exogenous costs included only those new incremental costs specific to the implementation and operation of 800 Data Base service.<sup>13</sup>

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<sup>12</sup> Direct Case, page 9.

<sup>13</sup> SNET Ex Partes filed on October 13, 1993 and February 4, 1994.

A. SNET's Inclusion of \$3,758 For Annual STP Maintenance Expenses Is Reasonable.

MCI complains that SNET has included \$3,758 of STP costs but no STP investment as exogenous.<sup>14</sup> SNET's inclusion of this very small amount<sup>15</sup> of annual expense is directly attributable to SNET's 800 Data Base operation and is appropriately included. This annual expense covers the network technician's time spent updating the STP 800 global title translation table. SNET believes that the inclusion of this activity is appropriate and should be retained as part of SNET's exogenous cost development.

B. SNET Correctly Includes \$500,000 of SCP Investment As Exogenous 800 Data Base Costs.

MCI claims that the LECs have failed to demonstrate that the SCP costs directly assigned are reasonable, and, without further explanation as to the uses of SCP investment/costs, the Commission cannot allow exogenous treatment in their entirety.<sup>16</sup> MCI states that direct assignment is reasonable only if the investment is not used for services other than 800 Data Base. First, SNET believes that it has fully demonstrated that its SCP costs are reasonable and, therefore, the Commission should allow

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<sup>14</sup> MCI, footnote 40.

<sup>15</sup> SNET notes that this \$3,758 of annual expense is less than 2% of the total exogenous amount associated with 800 Data Base.

<sup>16</sup> MCI, page 19.

exogenous treatment for the full amount. Regarding MCI's second comment, SNET agrees that direct assignment is only reasonable if the investment is not used for services other than for 800 Data Base, as is the case for SNET's identified costs.

SNET's \$500,000 of SCP investment, included as exogenous in SNET's 800 Data Base tariff filing, is directly associated with SNET's provision of 800 Data Base service. These costs are not supporting any of SNET's other SCP-supported services such as LIDB. SNET would not have incurred this cost if it did not offer 800 Data Base service.<sup>17</sup>

C. SNET's Demand Calculations Used In the Development of Exogenous Costs Were Based Upon Actual Volumes.

MCI incorrectly states that SNET converted minutes of use ("MOU") to queries using an average duration per query, but did not disclose the average used.<sup>18</sup> SNET clearly explained, in both its tariff filing and Direct Case, that its 800 Data Base query count was developed using the volume of originating 800 messages. Specifically, SNET used the actual number of interstate 800 messages to ICs providing 800 service for SNET's serving area. This message count was used to develop the query count with the assumption that each message carries one query.

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<sup>17</sup> SNET Ex Parte of October 13, 1993.

<sup>18</sup> MCI, footnote 71, page 44.

D. SNET Directly Assigned Interstate 800 Data Base Cost.

MCI claims that 800 investment for purposes of determining exogenous costs would be the same as interstate 800 Data Base service investment allocated using jurisdictional separations.<sup>19</sup> SNET's interstate costs are not determined by jurisdictional separations. SNET developed its exogenous costs for 800 Data Base by determining and directly assigning the interstate portion of only 800 Data Base specific costs to the query rate development. SNET allocated "Total" amounts, when necessary, on the basis of historical demand for those services. SNET believes that its methodology for allocation provides a more accurate measure of usage than using a jurisdictional allocation factor.

E. SNET Only Includes Costs Directly Attributable To 800 Data Base In Its Tariff.

MCI contends that \$14,459 of SNET's administrative costs should be disallowed.<sup>20</sup> SNET disagrees and believes that both its Direct Case and tariff filing fully justify the inclusion of these costs as follows:

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<sup>19</sup> MCI, page 30.

<sup>20</sup> MCI, page 34.



|                      | (A)      |   | (B) <sup>21</sup> | (C)      |
|----------------------|----------|---|-------------------|----------|
| INOC-load database   | \$ 2,168 | x | .2729 =           | \$ 592   |
| DSAC-verification    | \$ 9,505 | x | .2729 =           | \$ 2,593 |
| SCP, STP Maintenance | \$11,274 | x | 1.0000 =          | \$11,274 |
| TOTAL                |          |   | =                 | \$14,459 |

SNET believes that MCI is fully aware of the nature of SNET's \$14,459 costs especially since MCI on page 14 of its opposition, MCI questions SNET's \$11,274 costs for STP maintenance. As SNET explained earlier, less than 2% of the total exogenous amount represents a network technician's time to update the STP 800 global title translation table. The remaining \$7,516 of the \$11,274 is for SNET to maintain the SCP. Specifically, an SNET technician must back up the 800 Data Base prior to any new downloads that are made. Again, these costs are specific to 800 Data Base service, not general administrative costs.

The remaining \$3,185 are again not administrative but represent certain 800 Data Base specific start-up costs. These costs, clearly identified in SNET's filing and Direct Case, represent the initial loading of the 800 Data Base (\$592) and the critical record verification process performed by the Data Base Service Administration Center (\$2,593).

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<sup>21</sup> This is the annuity factor that when applied to start-up costs, spreads those costs over a five year period.

F. SNET Appropriately Includes 800 Data Base Billing Costs As Exogenous.

MCI claims that SNET's billing costs should not be treated as exogenous. SNET disagrees. The costs associated with its Carrier Access Billing System ("CABS") billing system are for modifications for SNET to bill for the 800 Data Base query which is not routine as MCI suggests. These modifications required a SNET programmer to establish and allow for billing of the new rate element, an activity that would not have been necessary except for 800 Data Base service.

V. Summary

The issues raised in the parties' comments raise no questions that warrant rejection of SNET's 800 Data Base tariff. SNET believes that it has provided sufficient cost support for the rates in effect and its cost development and tariffed rates fully comply with the Commission's Second Report and Order.

Respectfully Submitted,

THE SOUTHERN NEW ENGLAND  
TELEPHONE COMPANY

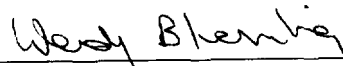
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May 5, 1994

**CERTIFICATE OF SERVICE**

I, Wendy S. Bluemling, hereby certify that SNET's Rebuttal has been filed this fifth day of May, 1994 to all parties listed below.

  
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